

AR49

**Annual Report  
To Shareholders  
1966**

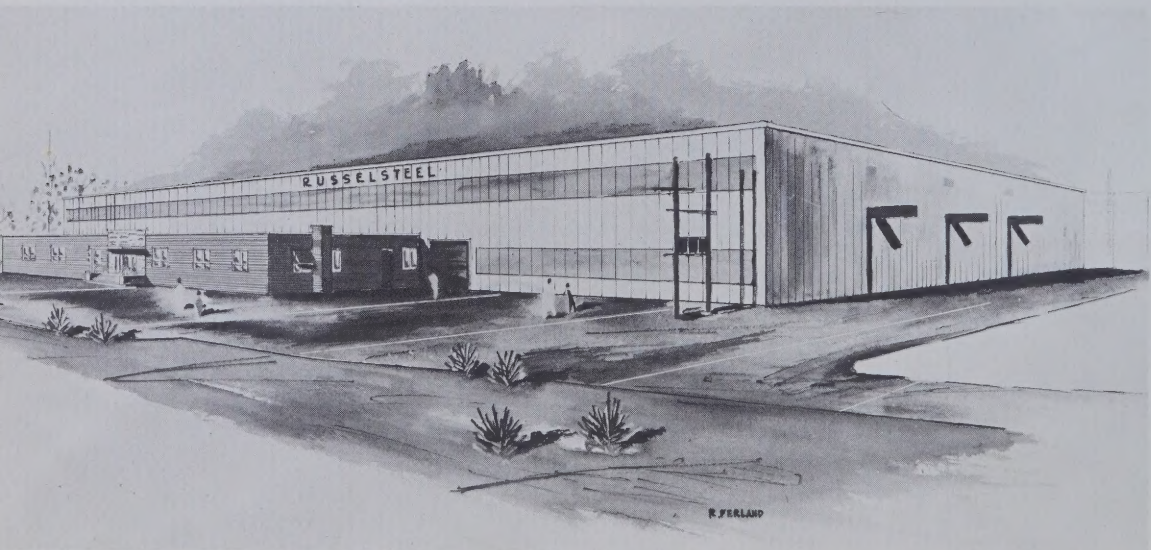
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**Hugh Russel & Sons Limited**

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**Russelsteel Eastern Division** Steel Service Centre. This is now one of the most modern steel service centres in Canada, designed to serve the Province of Quebec and the Maritime Provinces.



**Russelsteel Central Division**, Toronto Branch, is one of two large units serving the heavily industrialized Province of Ontario.



# HUGH RUSSEL & SONS, LIMITED

## DIRECTORS

R. P. K. COUSLAND	<i>Salter, Reilly, Jamieson &amp; Apple,</i>	TORONTO
J. P. FOSTER	<i>Vice-President, Hugh Russel &amp; Sons, Limited,</i>	TORONTO
M. D. GLENN	<i>President, Russelsteel Limited,</i>	MONTREAL
R. HARTOG	<i>President, Kitchen Installations Ltd.,</i>	MIDLAND
W. S. JAMIESON, Q.C.	<i>Salter, Reilly, Jamieson &amp; Apple,</i>	TORONTO
G. E. PHIPPS	<i>Chairman, Dominion Securities Corporation Limited,</i>	TORONTO
J. D. REILLY, Q.C.	<i>Salter, Reilly, Jamieson &amp; Apple,</i>	TORONTO
A. D. RUSSEL	<i>President, Hugh Russel &amp; Sons, Limited,</i>	TORONTO
G. D. RUSSEL	<i>Chairman, Hugh Russel &amp; Sons, Limited,</i>	MONTREAL
L. A. ROBIDOUX	<i>Division Manager, Russelsteel Limited,</i>	MONTREAL
J. G. K. STRATHY	<i>Vice-President, Dominion Securities Corporation Limited,</i>	TORONTO
J. W. VINGOE	<i>Vice-President, Massey Ferguson Industries Limited,</i>	TORONTO

## EXECUTIVE OFFICERS

G. D. RUSSEL	Chairman of the Board
A. D. RUSSEL	President
M. D. GLENN	Vice-President
J. P. FOSTER	Vice-President
G. D. SHEARER, C.A.	Secretary-Treasurer

## FISCAL AGENTS AND REGISTRARS

TRANSFER AGENTS	Royal Trust Company
BANKERS	Canadian Imperial Bank of Commerce
UNDERWRITERS	Dominion Securities Corporation Limited

## STOCK EXCHANGES

	Montreal and Toronto
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## AUDITORS AND SOLICITORS

AUDITORS	Clarkson, Gordon & Co.
SOLICITORS	Salter, Reilly, Jamieson & Apple

## SUBSIDIARY COMPANIES

RUSSELSTEEL LIMITED
RUSSELSTEEL COMPANY
MASTER MECHANICAL MANUFACTURING LIMITED

## EXECUTIVE OFFICES

215 BOWES ROAD – VAUGHAN TOWNSHIP – TORONTO  
MAILING ADDRESS – P.O. BOX 186 – DOWNSVIEW, ONTARIO

## ANNUAL MEETING

ROYAL YORK HOTEL – TORONTO – APRIL 28TH, 1967.







# Annual Report to Shareholders and Customers

Once again Hugh Russel & Sons, Limited completed an excellent year. Volume of products distributed and new services offered have resulted in breaking all previous sales records.

Higher interest rates and larger investments in inventory had an important effect on the business in 1966. Increased labour costs, depreciation and property taxes also placed profits under some pressure.

Substantial benefits were realized in 1966 from the Capital Expenditure programme completed in 1965 to acquire Master Mechanical Manufacturing Limited and to construct the new Toronto warehouse. Further benefits are expected from investments completed in 1966 to extend the Montreal warehouse (completed in April) and to construct the new Winnipeg warehouse (completed in September).

With these large outlays for new plant and facilities now completed, the company expects the favourable earnings of recent years to resume their upward trend.

The outlook for 1967 is by no means clear. But it is reassuring to note that, during the past two and a half years, while business has been particularly buoyant, the Company has taken action to

strengthen its position and is now prepared to meet the favourable opportunities of future years.

Important organizational changes instituted at the beginning of 1966 have been beneficial. These were recorded fully in our 1965 Annual Report, and consisted of the establishment of two decentralized, independently accountable business operations, working as subsidiaries of the parent company, Hugh Russel & Sons, Limited. Progress of these subsidiaries is reported as follows.

## RUSSELSTEEL LIMITED

Easing demand and increasing productive capacity brought the Canadian Steel market to a condition of over supply for the first time in many years. Temporary though this may be, the effect was to heighten and intensify all the elements of competition.

In this period of slowing growth, Russelsteel produced steady gains in its marketing position, indicating the results of improved facilities and strengthened organization.

Negotiations were completed in December 1966 to acquire the Steel Warehousing Division of

Robertsteel (Canada) Limited. This company is one of the Canadian subsidiaries of the H. H. Robertson Company of Pittsburgh, Pennsylvania. Robertsteel Service Centres specialize in the processing and distribution of sheet steel products — products which have hitherto formed a relatively small part of Russelsteel's overall volume. The demand for sheet steel, however, represents the largest single segment of the industry, accounting for more than 30% of the total steel demand.

By this acquisition, Russelsteel will benefit from increased sales and becomes the most integrated supplier of Carbon Steels in the country.

Since the acquisition was financed within existing resources, all benefits from this new activity will accrue to present Shareholders.

Within the limits imposed by the overall economy, future prospects for Russelsteel would appear very favourable.

#### **MASTER MECHANICAL MANUFACTURING LIMITED**

This company, acquired in August 1965, has been completely reorganized and is now designing and producing a wide range of specialized production tooling and equipment for automated industry in general.

Master Mechanical exceeded the volume and profit targets established at the beginning of the year and enters 1967 with a substantial backlog of sound business.

Demand continues to be strong, and with reorganization now complete, we look forward to growing activity and earnings from this company.

#### **OBJECTIVES AND PLANNING**

Further expansion of existing activities, the addition of new activities by acquisition and the creation of better ways to serve our customers, continue to be major objectives under constant study.

Present financial resources and working capital are adequate to meet current needs. In order to develop the opportunities of the future, however, your directors are planning now to broaden the equity base of the company in a manner, and at a time which will be beneficial, both to the company and its shareholders.

The Directors wish to express their appreciation to all the customers, suppliers, employees and shareholders of the Company whose confidence and support contributed so much to the Company's progress during the year 1966.

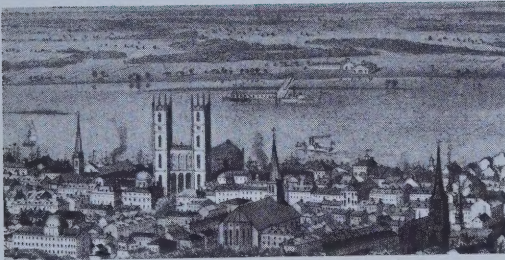


President

April 5th, 1967.



# Russelsteel Limited... a long history of service and progress



Since its first President and Founder began selling iron and church bells in Montreal in 1826, Russelsteel Limited has emerged as a vibrant and progressive distributing Company.

Over the years, it has been able to provide economies and technical service to steel consumers, both large and small, through its knowledge and experience in world wide markets.

## RUSSELSTEEL SERVICE CENTRES

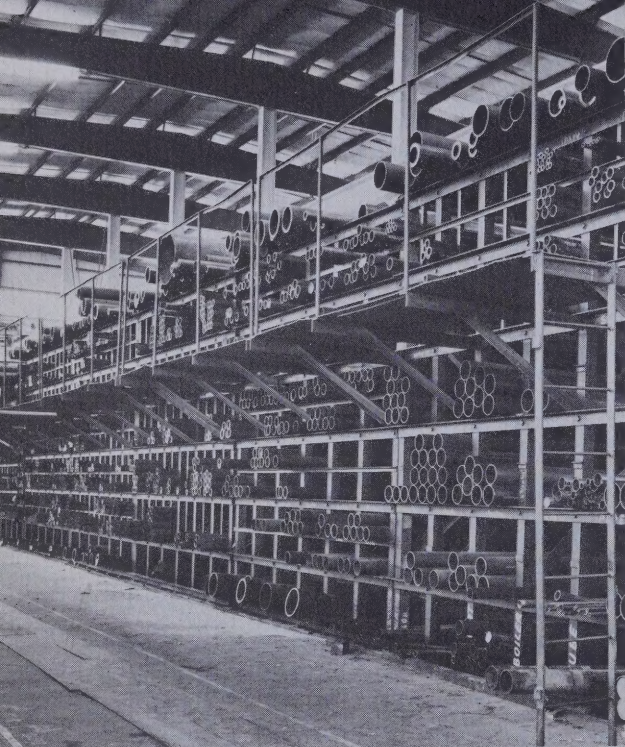
In to-day's modern economy Russelsteel Service Centres offer industry all the advantages of procuring its steel requirements on a day to day basis. Also, revolutionary changes in modern production scheduling heighten the importance of steel service centre inventories in providing the "on the spot" daily needs of customers.

Large and diversified inventories of steel products carried in Russelsteel Service Centres are

Sales divisions at Russelsteel Service Centres are organized for fast processing of customers orders. Salesmen work in pairs... for each outside salesman there is an inside representative to deal direct with customers by telephone.







Steel Pipe and Tubing in sizes from  $\frac{1}{4}$  inch to 12 inches are always in stock at Russelsteel Warehouses.

Warehouse employees are shown processing a customer's order from the large assortment of steel angles carried in stock at each Russelsteel Service Centre.



oriented to give customers the steel specifications they require, pre-processed, if necessary, on the most modern handling and processing equipment, to the required sizes and delivered on schedule to meet production requirements.

With Russelsteel Services Centres in Montreal, Toronto, Hamilton and Winnipeg, it is no longer necessary for manufacturers to carry expensive steel inventories.

To the manufacturer, this means that capital, previously tied up in steel inventories, is made available for expansion or the purchase of new equipment, such as presses, lathes, or boring mills and warehouse space is freed to put these new machines to work. Hedge buying against strikes, obsolescent stocks, excessive wastage and scrap losses are all things of the past by purchasing through Russelsteel Service Centres.

Russelsteel's sales personnel have been instrumental in helping their customers save money by keeping them informed of the newest materials available, better methods of buying, storage and the cost of possession.

Russelsteel Service Centres carry a complete stock of steel products in inventory at all times:

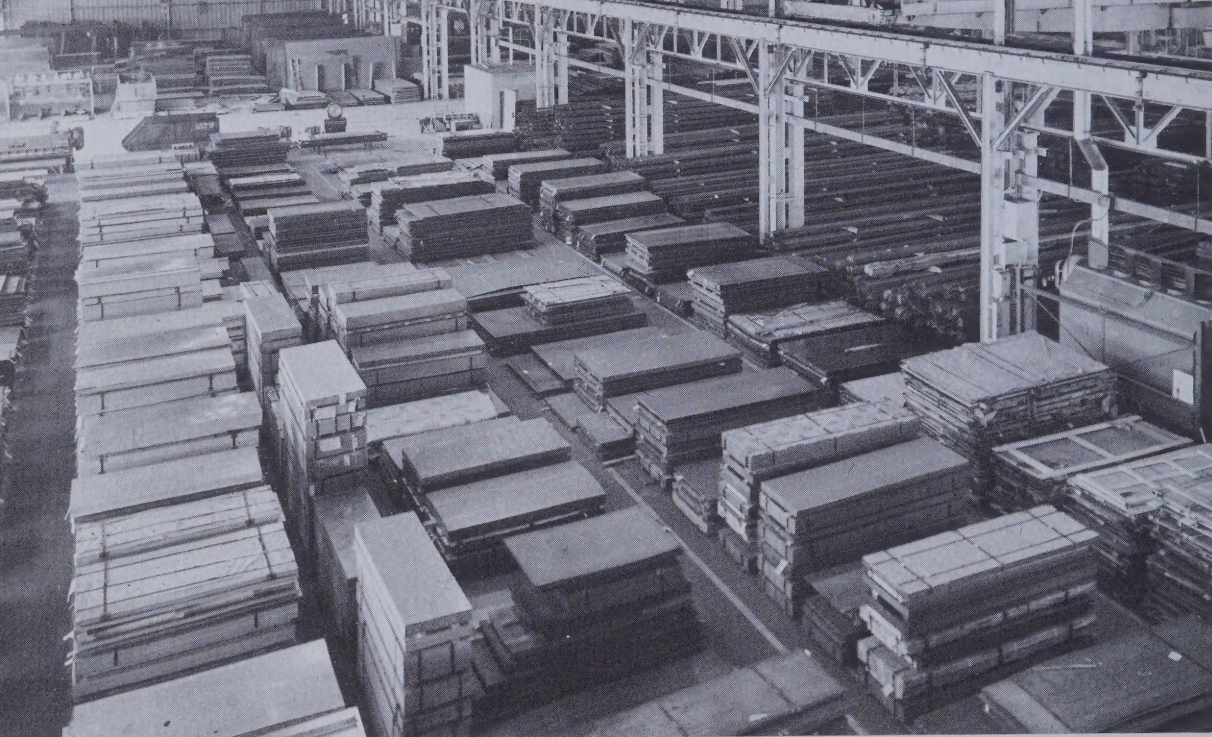
- Cold Finished Bars
- Hot Rolled Bars
- Structural Steel Shapes
- Reinforcing Steel
- Wire Mesh
- Steel Plates
- Steel Sheets
- Stainless Steel Plate
- Stainless Steel Sheet
- Stainless & Alloy Bars
- Tubing
- Seamless Mechanical Tubing
- Electric Welded Tubing
- Boiler Tubing
- Hollow Structural Sections
- Pipe





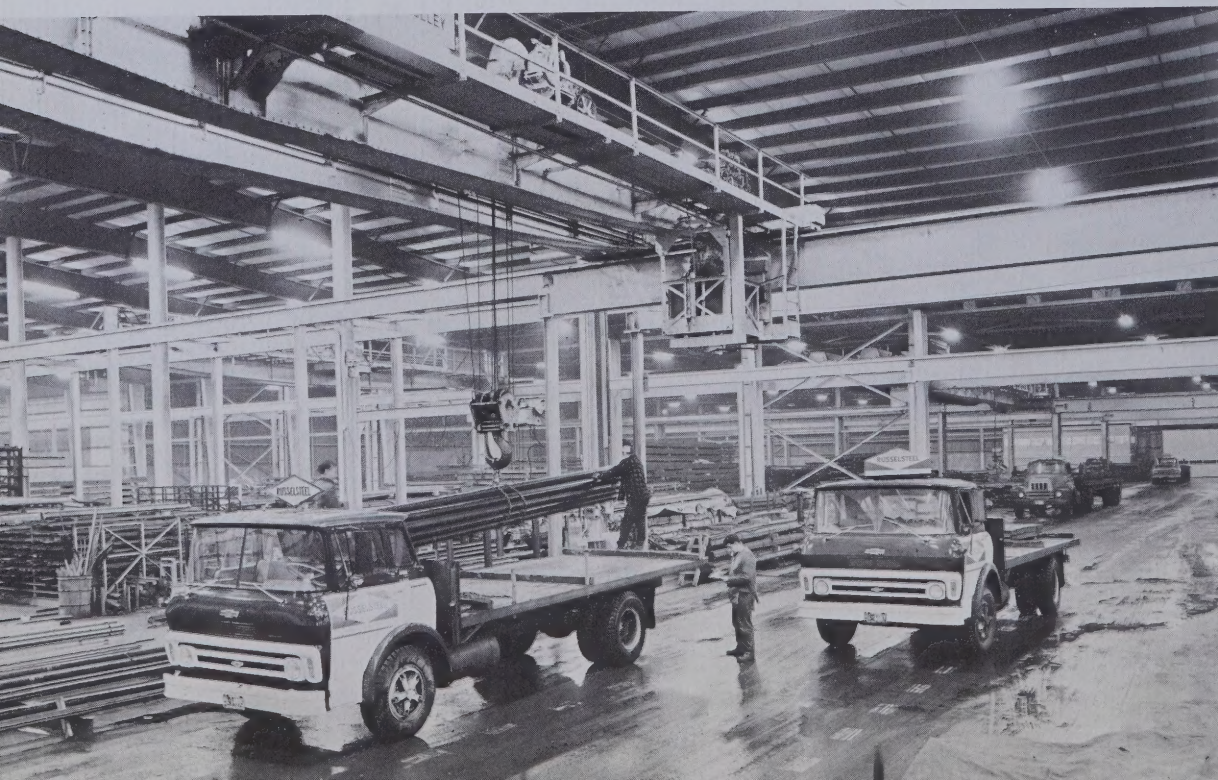
The widest range of Bars in Rounds, Squares, Hexagons, Flats, Half Ovals and Half Rounds is maintained in stock at all times.





This section of a Russelsteel Warehouse gives an indication of the huge inventories of steel sheet and plate carried for off-the-floor deliveries.

10-Ton overhead cranes and large, easily accessible shipping bays allow for fast economical processing of customers' orders.





### PRE-PRODUCTION PROCESSING

Russelsteel Service Centres offer a complete pre-production processing service to industry such as modern flame cutting, cutting to length, slitting, shearing and sawing, all processed to close tolerance and customer specifications.

### PERSONNEL DEVELOPMENT

Russelsteel's plans for growth require a continuous recruiting of bright young people for all phases of operations and a program of training is carried on. It is Company Policy to promote from within wherever possible. Russelsteel Management people maintain close contact with their customers and suppliers and encourage inter plant visits to keep personnel at all levels well informed of all technological progress.

### RUSSELSTEEL'S NEW HAMILTON BRANCH

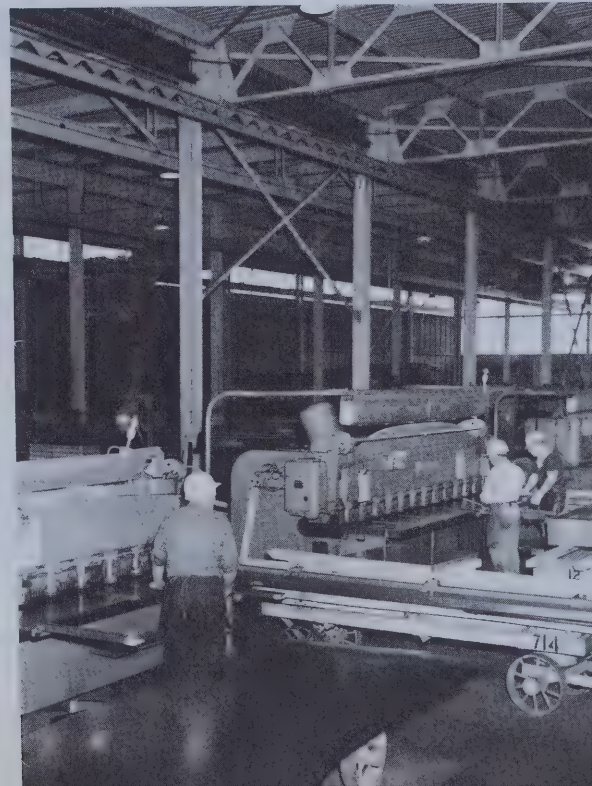
Specializing in sheet steel of all kinds, this new acquisition with its experienced personnel and excellent equipment for slitting, shearing and cutting will enable Russelsteel to serve its customers better with pre-processing of sheet steel in all forms. The Company is now able to order sheet steel from the Mills in coil form, rather than finished sheets as in the past. Individual coils, weighing between five and ten tons each, are fed into automatic machines which cut to specific length or slit to specific width, exactly to customers' requirements and with minimum waste.

This new Hamilton branch will greatly enhance Central Division's ability to better serve South Western Ontario.



Horizontal metal cutting band saw machine permits Russelsteel Service Centres to produce accurate repetitive cutting within all prescribed tolerances on Angles, Bars, Beams, Channels, Pipe, Tees and Tubing.

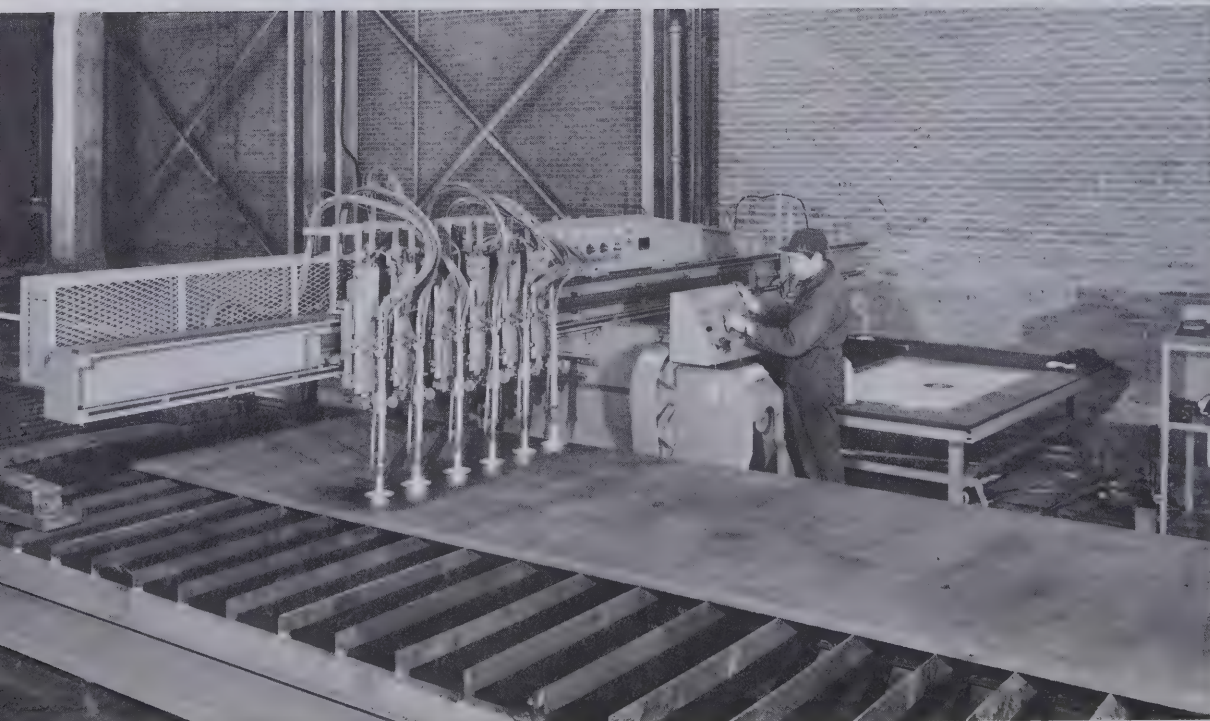
Steel Plate can be sheared accurately to sizes specified on modern shearing equipment in thicknesses of up to ½ inch and widths of 12 feet.







Interior view of a Russelsteel Service Centre equipped with 12 overhead cranes, modern plate burning and shearing equipment, saws, shears, slitting and cutting to length lines designed to give accurate fast deliveries to meet customers' requirements.



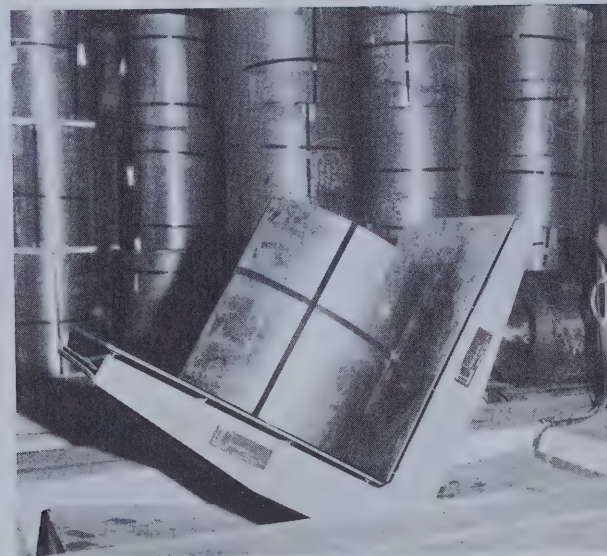
Modern oxyacetylene shape cutting machines equipped with automatic tracing devices produce repetitive flame cutting of intricate shapes quickly and accurately in steel plate up to 12 inches thick.



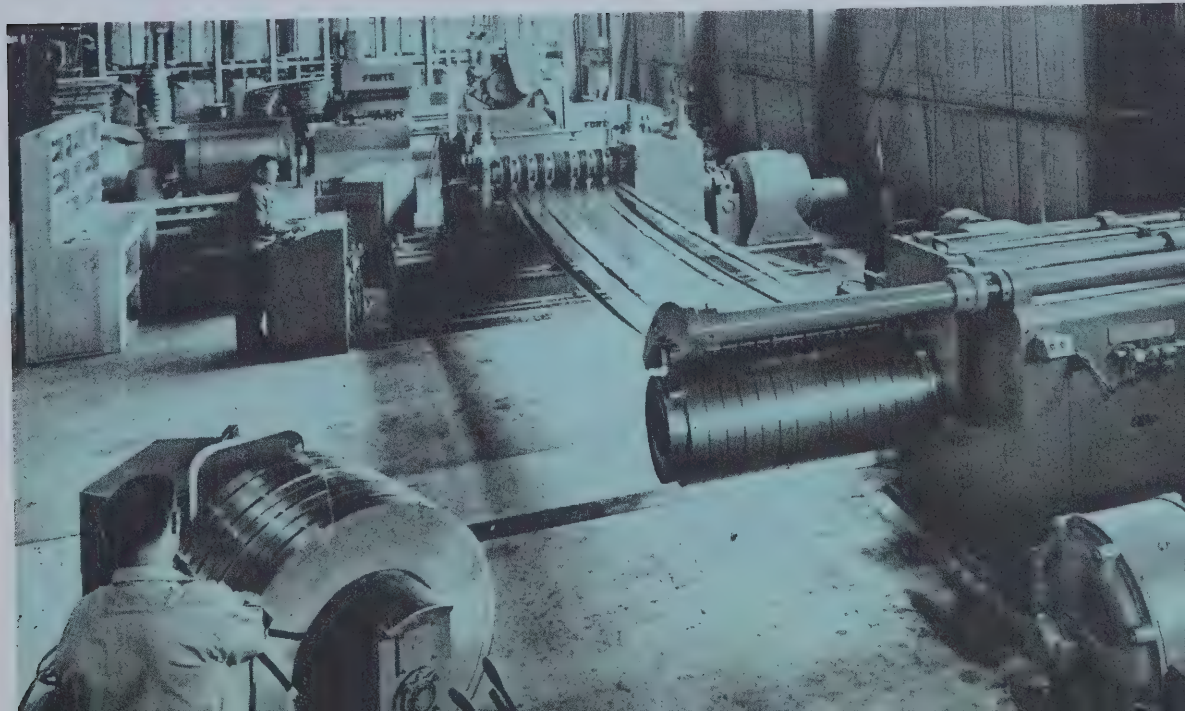
Heavy Steel Coils, weighing up to 20,000-lbs, are handled fast and safely at Russelsteel Service Centres. Specially designed coil lifters, operating from overhead cranes, transfer the steel coils from stock to automatic tilting machines.



This equipment turns the coils on their sides for pick up by automatic conveyor and inserts the coils on the slitter and cut to length machines.



This modern slitting equipment produces multiple cuts from material 11 gauge and lighter.





# Master Mechanical Manufacturing Limited



Master Mechanical's modern plant, designed to serve the needs of automated industry from original design to finished product.

Master Mechanical is staffed and equipped to design and build the precision tooling and production machinery required by Canada's expanding Industrial economy. Skilled and experienced designers have prepared or are working on designs for such diverse projects as automatic welding equipment to weld tubes in nuclear reactors, an automatic radiator filling device which evacuates automobile radiators and in less than a minute meters in water and anti-freeze in correct proportions, equipment for the automatic assembly of ball point pens and ball joints for automotive steering gear.

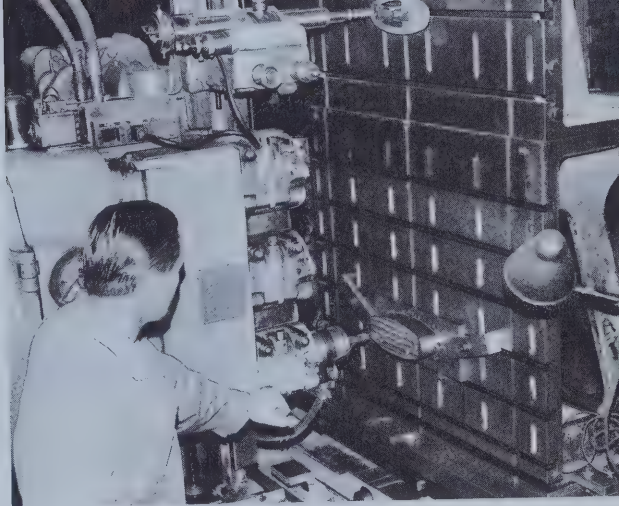
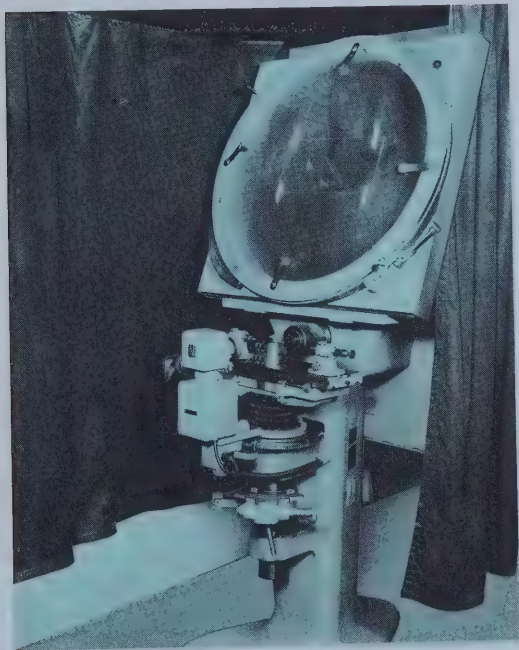
Machines of this kind and other equipment designed by Master Mechanical clients are

produced in a modern shop staffed by highly skilled craftsmen. At the present time, a considerable volume of high quality, precision work is in hand for the aircraft and automotive industries. With its well equipped and expanding facilities, Master Mechanical is producing an ever widening range of equipment and tooling.

The company is built on the concept of service. Master Mechanical is staffed and directed with the single thought in mind that, within its sphere of activity, it can and will solve industrial production problems faster, better, and at lower final costs than any other company. It is no accident that the company's volume of business has more than doubled in the past year.



Constant probing, testing and inspection, controls quality of materials and workmanship at Master Mechanical. A Jones & Lampson optical comparitor with a 30" screen is one of many devices used to ensure customers of consistently high accuracy and quality.



Every type of modern engineering equipment is to be found at Master Mechanical. Dies and jigs are completely made and most production machinery is manufactured under the one roof, assuring constant company supervision and inspection.

This modern engineering design office houses the skilled design staff which is the key to Master Mechanical's success. It contains 60 "boards", 2 full sized lofting tables, a full scale Revolute printing machine and an up-to-date technical reference library.







## **SERVICE CENTRES**

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**EASTERN DIVISION**

**MONTREAL**

**CENTRAL DIVISION**

**TORONTO BRANCH**

**CENTRAL DIVISION**

**HAMILTON BRANCH**

**WESTERN DIVISION**

**WINNIPEG**



**MASTER  
MECHANICAL  
MANUFACTURING LIMITED**

**139 WENDELL AVENUE**

**TORONTO**

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# HUGH RUSSEL & SONS, LIMITED

and its subsidiary companies

## Financial Summary

(Dollar figures in thousands)

	1966	1965	1964	1963	1962	1961	1960
<b>OPERATING RESULTS</b>							
Net Sales . . . . .	\$24,157	\$22,975	\$19,436	\$15,015	\$14,218	\$14,051	\$13,406
Earnings before deducting depreciation, interest on long-term debt & income taxes . . . . .	\$ 1,354	\$ 1,309	\$ 1,125	\$ 631	\$ 506	\$ 397	\$ 365
Depreciation . . . . .	\$ 205	\$ 155	\$ 133	\$ 121	\$ 122	\$ 131	\$ 127
Interest on long-term debt . . . . .	\$ 156	\$ 50	\$ 53	\$ 58	\$ 63	\$ 68	\$ 74
Income Taxes . . . . .	\$ 488	\$ 577	\$ 461	\$ 140	\$ 129	\$ 32	\$ 49
Net Earnings . . . . .	\$ 505	\$ 527	\$ 478	\$ 312	\$ 192	\$ 166	\$ 115
% of Net Sales . . . . .	2.1%	2.3%	2.5%	2.1%	1.4%	1.2%	0.9%
% of Shareholders' Equity . . . . .	12.9%	13.8%	14.2%	9.9%	6.3%	5.8%	4.2%
<b>SHAREHOLDER DATA</b>							
Number of Common Shares outstanding (thousands) . . . . .	294	292	289	288	288	288	288
Number of Common shareholders . . . . .	667	691	620	661	667	N.A.	N.A.
Net earnings per common share . . . . .	\$ 1.71	\$ 1.80	\$ 1.65	\$ 1.08	\$ .67	\$ .57	\$ .40
Cash flow per common share . . . . .	\$ 2.41	\$ 2.36	\$ 2.11	\$ 1.50	\$ 1.09	\$ 1.03	\$ .84
Dividends per common share . . . . .	\$ .80	\$ .75	\$ .60	\$ .60	.45	—	\$ —
% Dividend to net earnings . . . . .	47%	42%	36%	56%	67%	—	—
<b>BALANCE SHEET DATA</b>							
<b>Current Assets</b>							
Trade receivables . . . . .	\$ 4,353	\$ 4,021	\$ 3,708	\$ 2,868	\$ 2,361	\$ 2,447	\$ 2,170
Inventories . . . . .	7,186	5,929	4,513	4,507	3,929	4,403	3,486
Prepaid expenses and deposits . . . . .	162	76	53	36	39	41	27
Total Current Assets . . . . .	\$11,701	\$10,025	\$ 8,273	\$ 7,411	\$ 6,329	\$ 6,891	\$ 5,683
<b>Current Liabilities</b>							
Bank Borrowing . . . . .	\$ 3,215	\$ 3,343	\$ 2,517	\$ 3,089	\$ 2,184	\$ 2,487	\$ 2,032
Payables and accrued charges . . . . .	4,775	2,921	2,997	1,530	1,151	1,923	1,319
Income Taxes payable . . . . .	117	211	329	81	122	32	—
Total Current Liabilities . . . . .	\$ 8,107	\$ 6,475	\$ 5,843	\$ 4,700	\$ 3,817	\$ 4,442	\$ 3,351
Working Capital . . . . .	\$ 3,594	\$ 3,550	\$ 2,430	\$ 2,710	\$ 2,512	\$ 2,449	\$ 2,332
Fixed assets at cost . . . . .	\$ 4,415	\$ 4,041	\$ 3,001	\$ 2,321	\$ 2,288	\$ 2,215	\$ 2,050
Less Accumulated depreciation . . . . .	\$ 1,282	\$ 1,140	\$ 905	\$ 940	\$ 829	\$ 711	\$ 554
Net Fixed Assets . . . . .	\$ 3,133	\$ 2,901	\$ 2,096	\$ 1,381	\$ 1,459	\$ 1,504	\$ 1,496
Net Tangible Assets . . . . .	\$ 6,727	\$ 6,451	\$ 4,526	\$ 4,091	\$ 3,971	\$ 3,953	\$ 3,828
Financed by . . . . .							
Long term debt . . . . .	\$ 2,453	\$ 2,500	\$ 671	\$ 730	\$ 819	\$ 905	\$ 989
Deferred income taxes . . . . .	\$ 97	\$ 67	\$ 40	—	—	—	—
Shareholders' equity . . . . .	\$ 4,177	\$ 3,884	\$ 3,815	\$ 3,361	\$ 3,152	\$ 3,048	\$ 2,839
Current assets/Current liabilities . . . . .	1.4:1	1.5:1	1.4:1	1.6:1	1.7:1	1.6:1	1.7:1
Long-term debt/equity ratio . . . . .	37:63	39:61	15:85	18:82	21:79	23:77	25:75
Additions to facilities . . . . .	\$ 475	\$ 1,153	\$ 992	\$ 51	\$ 32	\$ 57	\$ 380
Total Assets . . . . .	\$14,835	\$12,926	\$10,369	\$ 8,792	\$ 7,788	\$ 8,395	\$ 7,179



# HUGH RUSSEL & SONS, LIMITED

and its subsidiary companies

## Statement of Consolidated Earnings

For the year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Sales . . . . .	<u>\$24,157,024</u>	<u>\$22,975,047</u>
Earnings from operations before deducting depreciation, interest on long-term debt and income taxes . . . . .	\$ 1,353,800	\$ 1,308,810
Less:		
Depreciation . . . . .	205,291	154,578
Interest on long-term debt . . . . .	<u>155,781</u>	<u>50,032</u>
Earnings before income taxes . . . . .	992,728	1,104,200
Income taxes . . . . .	<u>488,000</u>	<u>577,000</u>
Net earnings for the year . . . . .	<u>\$ 504,728</u>	<u>\$ 527,200</u>

## Statement of Consolidated Retained Earnings

For the year ended December 31, 1966

(with comparative figures for 1965)

	1966	1965
Balance, beginning of year . . . . .	\$3,789,258	\$3,752,255
Net earnings . . . . .	504,728	527,200
Profit on sale of fixed assets . . . . .	—	14,735
	<u>4,293,986</u>	<u>4,294,190</u>
Deduct:		
Dividends paid . . . . .	235,122	218,938
Premium paid on acquisition of subsidiary . . . . .	—	143,910
Expense of debenture issue (less income taxes) . . . . .	—	142,084
Balance, end of year . . . . .	<u>\$4,058,864</u>	<u>\$3,789,258</u>

(See accompanying notes)



# HUGH RUSSEL & SONS, LIMITED

(Incorporated under the laws of Canada)

and its subsidiary companies

## CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1966

(with comparative figures at December 31, 1965)

ASSETS	1966	1965
<b>Current:</b>		
Accounts receivable, less allowance for doubtful accounts . . . . .	\$4,352,612	\$4,021,079
Inventories valued at the lower of average cost or market (net realizable value) . . . . .	7,186,219	5,928,747
Prepaid expenses and other assets . . . . .	162,517	75,519
Total current assets . . . . .	<u>11,701,348</u>	<u>10,025,345</u>
<b>Fixed, at cost:</b>		
Land . . . . .	320,655	323,832
Buildings . . . . .	2,551,214	2,342,752
Machinery and equipment . . . . .	1,543,174	1,374,883
	<u>4,415,043</u>	<u>4,041,467</u>
Less accumulated depreciation . . . . .	1,281,891	1,140,414
	<u>3,133,152</u>	<u>2,901,053</u>
	<u>\$14,834,500</u>	<u>\$12,926,398</u>
<b>LIABILITIES</b>		
<b>Current:</b>		
Bank indebtedness (against which certain assets are pledged) . . . . .	\$1,714,934	\$2,342,939
Short-term loan payable . . . . .	1,500,000	1,000,000
Accounts payable and accrued charges . . . . .	4,757,210	2,921,492
Income taxes payable . . . . .	116,782	211,137
Sinking fund redemption due within one year (note 1) . . . . .	18,000	—
Total current liabilities . . . . .	<u>8,106,926</u>	<u>6,475,568</u>
Deferred income taxes . . . . .	97,500	66,500
Long-term debt (note 1) . . . . .	<u>2,453,000</u>	<u>2,500,000</u>
<b>Shareholders' equity:</b>		
Capital stock (note 2) —		
Authorized:		
50,000 preferred shares of the par value of \$100 each, issuable in series		
1,00,000 common shares without nominal or par value		
Issued:		
294,325 common shares (1965 — 292,191 shares)	118,210	95,072
Retained earnings . . . . .	<u>4,058,864</u>	<u>3,789,258</u>
	<u>4,177,074</u>	<u>3,884,330</u>
On behalf of the Board:		
A. D. Russel, Director	<u>\$14,834,500</u>	<u>\$12,926,398</u>
M. D. Glenn, Director		

(See accompanying notes)



# HUGH RUSSEL & SONS, LIMITED

and its subsidiary companies

## Notes to Consolidated Financial Statements

DECEMBER 31, 1966

### 1. Long-term debt

6¼% Secured Sinking Fund Debentures, Series A, maturing October 15, 1985	
Originally authorized .....	<u>\$2,500,000</u>
Outstanding (\$29,000 redeemed during the year for sinking fund) .....	\$2,471,000
Less required for sinking fund redemp- tions and included under current liabilities .....	18,000
	<u>\$2,453,000</u>

The debentures are secured by a first mortgage on the fixed assets of the company and certain subsidiaries and a first floating charge on their remaining assets. The trust deed provides for a sinking fund to retire by redemption \$1,500,000 principal amount by progressive annual appropriations in the years 1967 (\$29,000 of which were redeemed in 1966) to 1984 inclusive. Under the terms of the trust deed, the company is prohibited from paying dividends, other than cumulative preferred dividends or stock dividends, if consolidated equity is reduced to less than \$3,500,000 or consolidated net current assets are reduced to less than \$2,000,000.

### 2. Capital stock

During 1966 2,134 common shares were issued for \$23,138 cash as a result of the exercise of

options granted to officers and employees under the company's stock option plan. At December 31, 1966, 22,297 shares were reserved on which options have been granted on 21,588 shares (including 12,520 shares optioned to directors or officers) as follows —

Number of shares	Option price
5,400	\$ 9.23
1,000	9.67
5,438	12.15
4,750	13.50
5,000	16.20

The options are exercisable in instalments over periods ending February 10, 1975.

### 3. Commitments

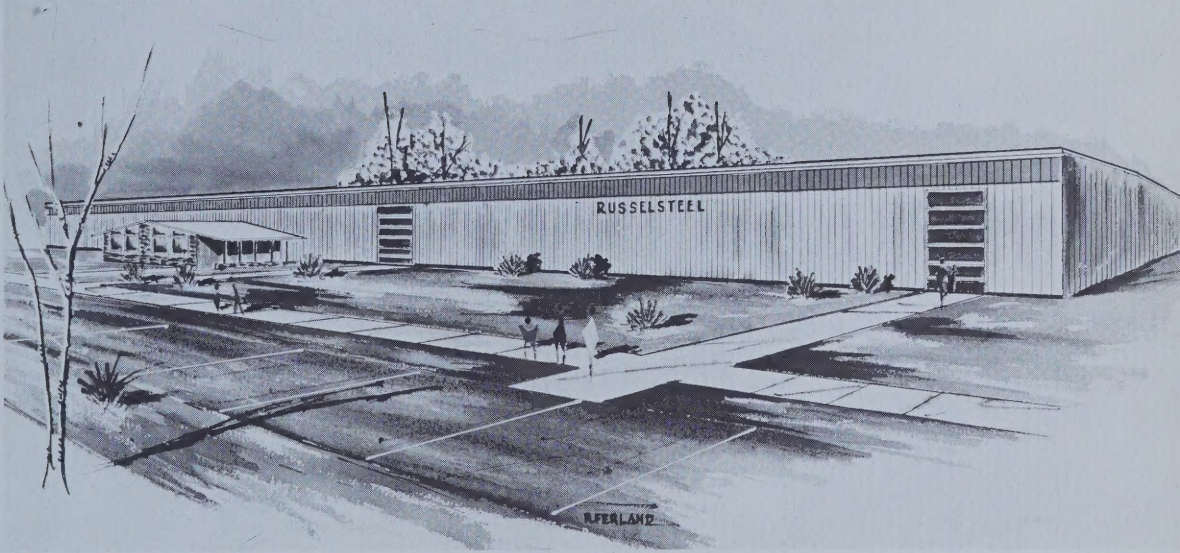
Subsequent to December 31, 1966, equipment and inventories were purchased from another company. This purchase, together with commitments for the completion of a plant under construction is expected to amount to approximately \$1,800,000.

### 4. Statutory information

Remuneration paid to directors (including those holding executive office) amounted to \$163,000 in 1966.



**Russelsteel Western Division** Steel Service Centre. This new modern steel service center located in Fort Gary on the outskirts of Winnipeg was occupied late in 1966, to provide the Prairie Provinces with a complete inventory of steel products and pre-processing equipment such as, flame cutting, shearing, sawing on modern machines.



**Russelsteel Central Division** Hamilton Branch. This new addition to the Russel family is approximately 100,000 sq. ft. of modern plant, equipped to perform slitting, cutting to length, shearing and flame cutting from the very large inventory to hot rolled, cold rolled and galvanized sheets in coil form. Processing to exact size with close tolerance is one of Russelsteel's special services.



**HUGH RUSSEL & SONS, LIMITED**

and its subsidiary companies  
(with comparative figures for 1965)

**Statement of Consolidated Source  
and Application of Funds**

**FOR THE YEAR ENDED DECEMBER 31, 1966**

Funds were obtained from :	1966	1965
Operations —		
Net earnings . . . . .	\$ 504,728	\$ 527,200
Expenses not requiring a current cash outlay :		
Depreciation . . . . .	205,291	154,578
Income taxes (deferred portion) . . . . .	31,000	26,500
	<u>741,019</u>	<u>708,278</u>
Proceeds of debenture issue (less expenses) . . . . .	—	2,355,415
Sale of fixed assets . . . . .	37,246	67,124
Stock options exercised . . . . .	23,138	31,720
	<u>801,403</u>	<u>3,162,537</u>
Funds were applied to :		
Purchase new facilities (including acquisition of subsidiary in 1965) . . . . .	\$ 474,636	\$1,152,809
Pay dividends . . . . .	235,122	218,938
Repay mortgage principal . . . . .	—	671,436
Retire debentures . . . . .	47,000	—
	<u>756,758</u>	<u>2,043,183</u>
Increase (decrease) in working capital . . . . .	44,645	1,119,354
Working capital at beginning of year . . . . .	<u>3,549,777</u>	<u>2,430,423</u>
Working capital at end of year . . . . .	<u>\$3,594,422</u>	<u>\$3,549,777</u>

(See accompanying notes)

**Auditors' Report**

**To the Shareholders of  
Hugh Russel & Sons, Limited :**

We have examined the consolidated balance sheet of Hugh Russel & Sons, Limited, and its subsidiary companies as at December 31, 1966 and the statements of consolidated earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

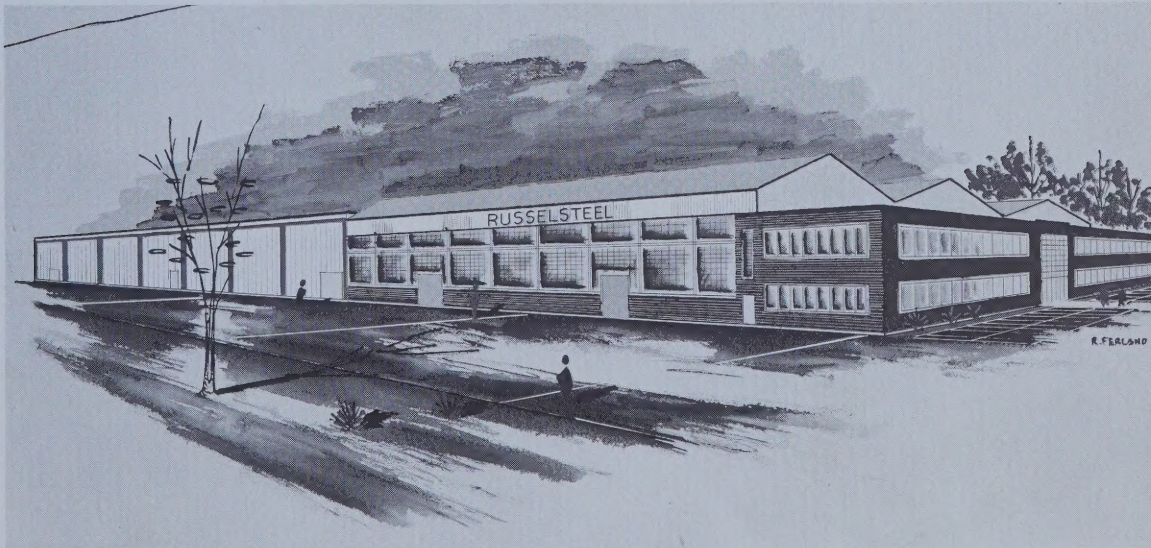
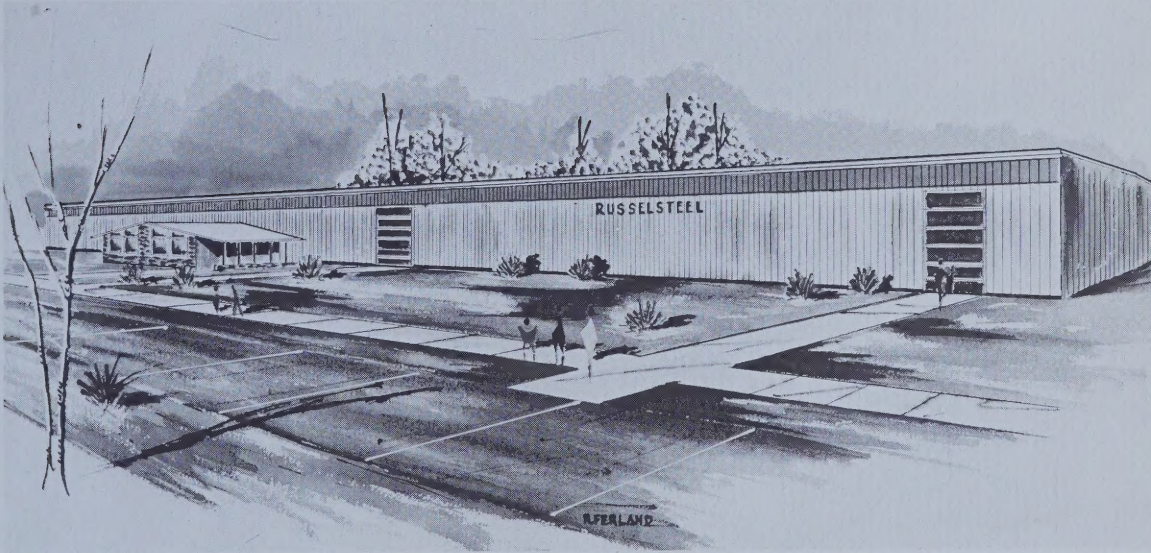
*Clarkson, Gordon & Co.*

Montreal, Canada,  
February 17, 1967

Chartered Accountants.

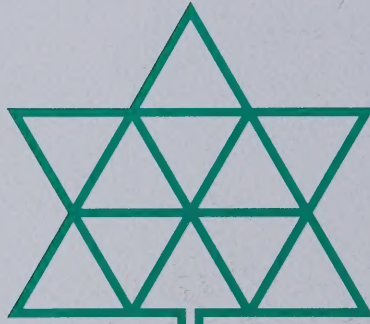


**Russelsteel Western Division** Steel Service Centre. This new modern steel service center located in Fort Gary on the outskirts of Winnipeg was occupied late in 1966, to provide the Prairie Provinces with a complete inventory of steel products and pre-processing equipment such as, flame cutting, shearing, sawing on modern machines.



**Russelsteel Central Division** Hamilton Branch. This new addition to the Russel family is approximately 100,000 sq. ft. of modern plant, equipped to perform slitting, cutting to length, shearing and flame cutting from the very large inventory to hot rolled, cold rolled and galvanized sheets in coil form. Processing to exact size with close tolerance is one of Russelsteel's special services.





**1867 | 1967**

**CANADA - CONFEDERATION**

**HUGH RUSSEL  
& SONS LIMITED**

**SINCE**

**1826**

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